

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates

Docket No. MC2012-4

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates 3 (MC2012-4)

Docket No. CP2012-8

ORDER ON MOTION FOR PARTIAL RECONSIDERATION

(Issued May 4, 2012)

I. INTRODUCTION

The Postal Service seeks the elimination of the requirement that it file, within 30 days of the expiration of each Global Expedited Package Services–Non-Published Rates (GEPS–NPR) contract, a statement of costs, volumes, and revenues associated with that contract. For the reasons discussed below, the Commission denies the request, but will modify the reporting requirement.

II. PROCEDURAL HISTORY

On November 22, 2010, the Commission issued an order approving inclusion of the GEPS–NPR 1 product in the competitive product list.¹ The Commission subsequently added the GEPS–NPR 2 product to the competitive product list on December 30, 2010.² These GEPS–NPR products offer incentive pricing to small- and medium-size businesses that satisfy prescribed capability requirements and commit to use Express Mail International and Priority Mail International products at minimum levels of revenue.

On December 20, 2011, the Postal Service filed a request seeking inclusion of an additional product, the GEPS–NPR 3, to the competitive product list.³ The Commission established the instant docket to consider the Request,⁴ and approved the Request in Order No. 1161.⁵ Order No. 1161 contained the following reporting requirement:

Within 30 days of the expiration of each contract, the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group associated with that contract, including any penalties paid.

Id. at 7.

¹ Docket Nos. MC2010-29 and CP2010-72, Order Approving Postal Service Request to Add Global Expedited Package Services–Non-Published Rates 1 to the Competitive Products List, November 22, 2010 (Order No. 593).

² Docket No. CP2011-45, Order Adding Global Expedited Package Services–Non-Published Rates 2 to the Competitive Products List, December 30, 2010 (Order No. 630).

³ Request of the United States Postal Service to Add Global Expedited Package Services–Non-Published Rates 3 (GEPS–NPR 3) to the Competitive Products List and Notice of Filing GEPS–NPR 3 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, December 20, 2011 (Request).

⁴ Order No. 1073, Notice and Order Concerning Addition of the Global Expedited Package Services–Non-Published Rates 3 (GEPS–NPR 3) to the Competitive Products List, December 23, 2011.

⁵ Order Approving Postal Service Request to Add Global Expedited Package Services–Non-Published Rates 3 (GEPS–NPR 3) to the Competitive Products List, January 20, 2012 (Order No. 1161).

On January 25, 2012, the Postal Service filed a motion requesting that the Commission eliminate the reporting requirement.⁶ The Postal Service states that the reporting requirement places a burden on the regulatory process and creates a workload that is duplicative and unnecessary. *Id.* at 1, 4. It points out that the Board of Governors has established a classification and non-published rates designed to ensure that each GEPS contract would satisfy cost coverage requirements if the mailer adhered to its volume commitments. *Id.* at 3. At the end of each fiscal year in its Annual Compliance Report (ACR), the Postal Service includes a determination of whether the GEPS-NPR product as a whole meets the statutory and regulatory requirements for cost coverage and contribution. *Id.* at 4. It asserts that the increase in the number of such contracts and the need to file individual performance reports for each one has created an ever-increasing workload for the Postal Service's financial analysts, attorneys, and support staff. *Id.* It seeks to have the Commission eliminate the reporting requirement with immediate effect and with application to all GEPS-NPR contracts currently in effect, as well as any future GEPS-NPR product groupings that the Commission may add to the competitive product list. *Id.* at 5.

III. COMMENTS

Comments were filed by the Public Representative.⁷ No other interested person submitted comments. The Public Representative states that the costs, volumes, and revenues data for each contract filed within 30 days of the expiration of each contract are necessary to evaluate whether the contracts are profitable and whether the Postal Service should continue entering into similar contracts. *Id.* at 1. She maintains that, although the data included in the ACR are useful, they do not give an accurate understanding of how the contracts are performing throughout the year. *Id.* at 2.

⁶ Motion for Partial Reconsideration, January 25, 2012 (Motion).

⁷ Public Representative Response to Postal Service Motion for Partial Consideration, February 1, 2012 (PR Comments).

Additionally, she states that the information supplied by the Postal Service assists the Commission and the Postal Service in determining if adjustments to the financial models are necessary to ensure that future similar contracts are profitable. *Id.* Finally, she questions the Postal Service's allegation of burden, positing that it already compiles the requisite data for its own business operations, both to determine whether to enter into similar agreements with previous customers and to provide the Commission with the information in the ACR as required by 39 CFR 3050.21(g). The Public Representative concludes that the reporting requirement should not be eliminated. *Id.*

IV. COMMISSION ANALYSIS

The financial model that underlies each GEPS-NPR product is intended to ensure that each GEPS-NPR contract covers its attributable costs. Contract-specific data are utilized by the Commission to determine the viability of the relevant financial model and to ensure that it is functioning as intended.

The Commission is sensitive to the Postal Service's claim that the reporting requirement imposes an unnecessary burden on it. As the Public Representative observes, however, this information should be routinely collected as part of the Postal Service's management responsibilities. If, after experience with the modified reporting requirement discussed below, the Postal Service is able to make an additional showing as to why the reporting requirement is burdensome and unnecessary, the Commission will consider revisiting this issue.

To the extent that timing of the reports creates a burden, the Commission will modify the reporting requirement by permitting the Postal Service to file the requisite data on a quarterly basis rather than 30 days after expiration of each contract. Thus, for each contract expiring during the FY quarter, the Postal Service shall file, within 30 days of the end of the quarter, costs, volumes, and revenues disaggregated by weight and country group associated with each contract that expires during that quarter, including any penalties paid. The revised reporting requirement shall apply to all GEPS-NPR

contracts expiring beginning with FY 2012 quarter 3 and thereafter as well as to all future GEPS-NPR contracts.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Motion for Partial Reconsideration, filed January 25, 2012, is denied.
2. Beginning with GEPS-NPR contracts expiring in FY2012 quarter 3 and thereafter as well as all future GEPS-NPR contracts, the Postal Service shall file, within 30 days of the end of each FY quarter, costs, volumes, and revenues disaggregated by weight and country group associated with each contract that expires during that quarter, including any penalties paid.

By the Commission.

Ruth Ann Abrams
Acting Secretary